



2014 Chicago Infrastructure Trust Annual Report

August 14, 2014

This annual report for the Chicago Infrastructure Trust (*the "Trust"*) has been prepared in accordance with Section 11.2 of the Trust's Bylaws.

The Trust's purpose is to assist the people of the City of Chicago, the City, and its sister agencies in providing alternative financing and project delivery options for transformative infrastructure projects.

In 2014, key milestones for the Trust included the following:

- The construction of the Trust's first project, Retrofit One, in which the Trust facilitated the design and financing of energy upgrades in 60 public buildings in the City of Chicago, with the cost savings from such upgrades being used to repay the loans advanced by the private sector to fund such upgrades.
- The Chicago Transit Authority (CTA) engaged the Trust to study and arrange alternative financing methods for the capital-intensive technological and structural upgrade of the subway system to 4G-service capabilities. Construction has begun and Chicago will become the largest North American city to deploy full 4G services in its subway system.
- Introduced a new public finance tool in the form of an Energy Services Agreement ("*ESA*"). The ESA allows the City of Chicago to participate in infrastructure financing that remains off-credit and off-balance sheet, thereby maintaining the City's credit rating and borrowing capacity. The ESA is also replicable for a wide variety of public financings.
- The adoption of all internal policies required by the Trust's Bylaws.
- The implementation of detailed Contacting Manual that provides a transparent, comprehensive guide to doing business with the Trust.

The Trust's audited financial statements and project descriptions for 2014 are attached.

Respectfully submitted,

Chicago Infrastructure Trust

By:

A handwritten signature in black ink, appearing to read "Steve Beitler".

Stephen S. Beitler

Chief Executive Officer

Chicago Infrastructure Trust
Financial Statements and
Independent Auditor's Report
December 31, 2014 and 2013

Chicago Infrastructure Trust

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Independent Auditor's Report

To the Board of Directors
Chicago Infrastructure Trust

We have audited the accompanying financial statements of the Chicago Infrastructure Trust, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the year ended December 31, 2014 and the period April 24, 2012 (commencement of operations) through December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles general accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chicago Infrastructure Trust as of December 31, 2014 and 2013 and the changes in its net assets and cash flows for the year ended December 31, 2014 and the period April 24, 2012 (commencement of operations) through December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that Chicago Infrastructure Trust will continue as a going concern. As discussed in Note 2 to the financial statements, the Trust is pursuing plans to fund ongoing operations. If the Trust is unable to successfully implement these plans, there is substantial doubt about the ability of Chicago Infrastructure Trust to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Chicago, Illinois
DATE

Chicago Infrastructure Trust
Statements of Financial Position
December 31, 2014 and 2013

Assets

	<u>2014</u>	<u>2013</u>
Current assets		
Cash	\$ 838	\$ 32,335
Grants receivable	213,035	77,806
Prepaid expenses	<u>2,558</u>	<u>1,525</u>
Total current assets	<u>216,431</u>	<u>111,666</u>
Fixed assets		
Furniture and fixtures	12,822	-
Machinery and equipment	<u>48,642</u>	<u>-</u>
Total fixed assets	61,464	-
Less: Accumulated depreciation	<u>(6,687)</u>	<u>-</u>
Net fixed assets	<u>54,777</u>	<u>-</u>
Total assets	<u><u>\$ 271,208</u></u>	<u><u>\$ 111,666</u></u>

Liabilities and Net Assets

	<u>2014</u>	<u>2013</u>
Current liabilities		
Bank overdraft	\$ 4,359	\$ -
Accounts payable	117,529	87,849
Capital lease obligations	15,207	-
Accrued expenses	62,298	22,775
Deferred revenue	<u>-</u>	<u>1,042</u>
Total current liabilities	<u>199,393</u>	<u>111,666</u>
Long-term liabilities		
Capital lease obligations	<u>27,103</u>	<u>-</u>
Net assets		
Unrestricted net assets	<u>44,712</u>	<u>-</u>
Total liabilities and net assets	<u><u>\$ 271,208</u></u>	<u><u>\$ 111,666</u></u>

See Notes to Financial Statements.

Chicago Infrastructure Trust

Statements of Activities For the Year Ended December 31, 2014 and the Period April 24, 2012 (commencement of operations) through December 31, 2013

	2014	2013
Revenue		
Grant revenue	\$ 1,000,000	\$ 522,751
Service fee revenue	150,000	-
Total revenue	1,150,000	522,751
Expenses		
Supporting activities		
Salaries and wages	315,636	168,039
Employee taxes and benefits	58,800	28,686
Professional fees: consultants	369,645	89,040
Professional fees: audit and accounting	89,128	40,205
Professional fees: IT support	76,315	29,500
Professional fees: website design	28,511	48,750
General and administrative	13,899	12,900
Office supplies and expenses	30,073	14,683
Committee expenses	7,253	17,052
Computer and software	5,988	12,136
Telephone and internet	7,899	4,041
Travel and meals	29,048	19,275
Occupancy	23,932	-
Insurance	42,474	38,444
Depreciation	6,687	-
Total expenses	1,105,288	522,751
Change in unrestricted net assets	44,712	-
Unrestricted net assets, beginning of period	-	-
Unrestricted net assets, end of period	\$ 44,712	\$ -

See Notes to Financial Statements.

Chicago Infrastructure Trust

Statements of Cash Flows

For the Year Ended December 31, 2014 and the Period April 24, 2012
(commencement of operations) through December 31, 2013

	2014	2013
Cash flows from operating activities		
Change in unrestricted net assets	\$ 44,712	\$ -
Adjustments to reconcile the change in unrestricted net assets to net cash provided by operating activities		
Depreciation	6,687	-
Increase in assets:		
Grants receivable	(135,229)	(77,806)
Prepaid expenses	(1,033)	(1,525)
Increase (decrease) in liabilities:		
Bank overdraft	4,359	-
Accounts payable	29,680	87,849
Accrued expenses	39,523	22,775
Deferred revenue	(1,042)	1,042
Net cash (used in) provided by operating activities	(12,343)	32,335
Cash flows from investing activities		
Purchase of fixed assets	(61,464)	-
Net cash used in investing activities	(61,464)	-
Cash flows from financing activities		
Capital lease obligation	42,310	-
Net cash provided by financing activities	42,310	-
Net (decrease) increase in cash	(31,497)	32,335
Cash, beginning of period	32,335	-
Cash, end of period	\$ 838	\$ 32,335

See Notes to Financial Statements.

Chicago Infrastructure Trust

Notes to Financial Statements December 31, 2014 and 2013

Note 1 - Organization

The Chicago Infrastructure Trust (the "Trust") was incorporated as a non-profit organization on April 24, 2012 under executive order of the Mayor and City Council resolution. The Trust operates exclusively for civic and charitable purposes in the Chicago Metropolitan area and is a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Trust assists the people of the City of Chicago, the City government and its sister agencies in providing alternative financing and project delivery options for transformative infrastructure projects. To accomplish this, the Trust hopes to structure innovative financing strategies and attract capital from diverse groups of investors. The Trust also hopes to achieve and demonstrate real risk transfer to third-party investors, and to stimulate cross-agency financing while creating efficient capital structures.

Note 2 - Status of operations

The Trust was established in 2012 under the support of the City of Chicago, who agreed to supply the initial funding to commence operations. The initial funding was set at \$2.5 million in grants, after which the Trust was expected to procure alternative sources of revenue. As of December 31, 2014, the Trust has drawn a total of \$1.4 million of the initial funding.

Should the City of Chicago discontinue funding the Trust, and the Trust not receive other awarded grants, the Trust will require additional sources of financing. This factor indicates that the Trust may be unable to continue as a going concern for a reasonable period of time. The accompanying financial statements do not include adjustments, if any, that might be necessary, should the Trust be unable to continue as a going concern.

Note 3 - Summary of significant accounting policies

Basis of presentation

The Trust presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Furthermore, information is required to segregate program service expenses from support and fundraising expenses.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recognized until they become unconditional: that is,

Chicago Infrastructure Trust

Notes to Financial Statements December 31, 2014 and 2013

when the conditions on which they depend are substantially met. Service revenues are recognized at project completion.

Accounts receivable

Receivables are reported net of an allowance for doubtful accounts, if any. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Capitalization and depreciation

Fixed assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed. The assets are depreciated over their estimated service lives. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

	Estimated Useful Life	Method
Furniture and fixtures	5 years	Straight-line
Machinery and equipment	3 years	Straight-line

Impairment of long-lived assets

The Trust reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses were recognized during 2014.

Prepaid expenses

Advance payments for expenses related to subscriptions and insurance policies are classified as prepaid expenses.

Net assets

The Trust classifies net assets as unrestricted, temporarily restricted or permanently restricted.

Unrestricted net assets are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent resources for which use has been temporarily restricted by the donor as to its usage or by the passage of time. When a donor restriction has been satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets represent resources that are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Company. The Trust has no permanently restricted net assets.

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Notes to Financial Statements December 31, 2014 and 2013

Leases

Lease expenses are recorded based on the payments required by the lease agreement. Accounting principles generally accepted in the United States of America require that the lease payments be straight-lined over the life of the lease; however, the effect of using actual lease payments is not materially different from the results that would have been obtained under the straight-line method.

Income taxes

The Trust has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended December 31, 2014 and the period April 24, 2012 (commencement of operations) through December 31, 2013. Due to its tax exempt status, the Trust is not subject to income taxes, but is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Trust has no other tax positions which must be considered for disclosure. Income tax returns filed by the company are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since inception remain open.

Note 4 - Grants

In 2012, the City of Chicago issued an ordinance establishing the Trust. The ordinance included grants of funds for infrastructure projects subject to the availability of funds duly appropriated, in a total amount not to exceed \$2,500,000. During the year ended December 31, 2014, the Trust was awarded cost reimbursement grants in the amount of \$1,000,000, of which \$900,000 was received. As of December 31, 2014, grant funds of \$113,035 remain receivable, of which \$100,000 was approved by the City of Chicago and \$13,035 represents accrued compensated absences.

During the period April 24, 2012 (commencement of operations) through December 31, 2013, the Trust was awarded grants from the City of Chicago in the amount of \$653,350, of which \$450,000 was received by December 31, 2013 and \$63,729 was received by December 31, 2014. A portion of the remaining 2012 - 2013 award, totaling \$139,621, was to be postponed until 2014. Ultimately, this amount went unfunded during 2014. As of December 31, 2013, grant funds of \$77,806 remained receivable, of which \$63,729 was approved by the City of Chicago and \$14,077 represents accrued compensated absences.

Note 5 - Concentration

A substantial portion of the Trust's revenue was received from the City of Chicago. Substantial revenue is defined as revenue earned from any source that is in excess of 10% of the total revenue of the company. For the period ended December 31, 2014 and the period April 24, 2012 (commencement of operations) through December 31, 2013, revenue earned from the City of Chicago was \$1,000,000 and \$522,751, respectively, or 87% and 100%, respectively, of total revenue.

Chicago Infrastructure Trust

Notes to Financial Statements December 31, 2014 and 2013

Note 6 - Leases

The Trust leases office space in Chicago, Illinois in the amount of \$2,558 per month, which escalates annually on August 1. The lease expires on July 31, 2017. The Trust also leases office equipment under one capital lease and one operating lease, both with initial lease terms in excess of one year. Accumulated amortization on the capital lease as of December 31, 2014 was \$6,332.

Future minimum lease payments under these commitments are as follows:

<u>Years ending December 31</u>	<u>Office space</u>	<u>Equipment</u>	<u>Total</u>
2015	\$ 32,661	\$ 21,831	\$ 54,491
2016	38,366	21,831	60,197
2017	24,791	19,296	44,087
2018	-	6,624	6,624
2019	-	3,864	3,864
	<u>\$ 95,817</u>	<u>\$ 73,446</u>	<u>\$ 169,263</u>

Note 7 - Subsequent events

Events that occur after the statement of financial position date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of Chicago Infrastructure Trust through DATE (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

Infrastructure Trust Project Matrix

